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LifeTech Scientific Corporation

先健科技公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1302)

CONNECTED TRANSACTION FORMATION OF A JOINT VENTURE

The Board hereby announces that on 16 September 2019, Lifetech Shenzhen entered into the Capital Increase Agreement and the Shareholders Agreement with Shenzhen Xinyuan following negotiations between the parties and having received advice from an independent third-party professional consulting agency.

Pursuant to the Capital Increase Agreement, Lifetech Shenzhen and Shenzhen Xinyuan have agreed to jointly increase the registered capital of the JV Company to RMB30 million in accordance with the agreed contribution ratio of 70% and 30%, respectively.

Subject to the occurrence of certain milestone events within agreed timeframes and provided that the JV Company makes certain progress in its operations, the two parties have agreed to continue to increase the capital of the JV Company on a 70% and 30% proportion under the Shareholders Agreement. The two parties also reached consensus on the operations, management and business development of the JV Company.

The funds invested by the contracting parties will be mainly used for the operation of the JV Company and, subject to subsequent development of operations, to be used for acquiring necessary assets for the continued development of the company. The Capital Increase Agreement and the Shareholders Agreement are entered into for the purpose of accelerating the progress of researches and expand the product portfolio related to the iron alloy project, as well as attracting talents.

Capital Increase Agreement

As at the date of this announcement, the JV Company is wholly owned by Lifetech Shenzhen with a registered capital of RMB9.53 million. Under the Capital Increase Agreement, Lifetech Shenzhen and Shenzhen Xinyuan will jointly finance the daily operations of the JV Company and increase the registered capital of the JV Company to RMB30 million. The contribution will be borne by Lifetech Shenzhen as to RMB11.47 million and Shenzhen Xinyuan as to RMB9 million (the “**Initial Capital Injection**”). After the completion of Initial Capital Injection, the JV Company will be held as to 70% by Lifetech Shenzhen and 30% by Shenzhen Xinyuan.

Shareholders Agreement

The Shareholders Agreement was entered into to set out further details on the operation, management, shareholding relationships and further capital contribution obligations in the JV Company

Under the Shareholders Agreement, subject to the occurrence of certain milestone events, Lifetech Shenzhen and Shenzhen Xinyuan have each agreed to contribute in aggregate a further amount not exceeding RMB61.46 million and RMB26.34 million respectively in proportion to their shareholding interest.

LISTING RULES IMPLICATIONS

Shenzhen Xinyuan is ultimately held as to 36.67% by Dr. Zhang (a person who was a Director in the last 12 months) and 63.33% by members of the project team (being employees of the Group) who are otherwise third parties independent of the Company and connected persons of the Company. Accordingly, Dr. Zhang is ultimately and indirectly interested as to approximately 11% of the JV Company.

Pursuant to the Capital Increase Agreement, the equity interests of the Group in the JV Company will be diluted from 100% to 70%. The transactions contemplated under the Capital Increase Agreement will constitute a deemed disposal of 30% equity interest in the JV Company by the Group under Rule 14.29 of the Listing Rules.

As at the date of this announcement, (i) Dr. Zhang was a director of the Company in the last 12 months as he resigned in March 2019; and (ii) Dr. Zhang is ultimately interested as to 36.67% of Shenzhen Xinyuan. Therefore, Dr. Zhang and Shenzhen Xinyuan are connected persons of the Company within the meaning of Chapter 14A of the Listing Rules. The Joint Venture Formation and deemed disposal contemplated under the Capital Increase Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Joint Venture Formation (with the respective capital commitments under the Capital Increase Agreement and Shareholders Agreement aggregated) and the deemed disposal exceed 0.1% but are less than 5%, the Joint Venture Formation and the deemed disposal are connected transactions subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the inside information announcement of the Company dated 28 March 2019 regarding the entering into of a memorandum of understanding for the formation of a joint venture and the subsequent clarification announcement dated 28 March 2019 and voluntary supplemental announcement dated 1 April 2019.

The Board hereby announces that on 16 September 2019, Lifetech Shenzhen entered into the Capital Increase Agreement and the Shareholders Agreement with Shenzhen Xinyuan following negotiations between the parties and having received advice from an independent third-party professional consulting agency. Pursuant to the Capital Increase Agreement, Lifetech Shenzhen and Shenzhen Xinyuan have agreed to jointly increase the registered capital of the JV Company to RMB30 million in accordance with the agreed contribution ratio of 70% and 30%, respectively. Subject to the occurrence of certain milestone events within agreed timeframes and provided that the JV Company makes certain progress in its operations, the two parties have agreed to continue to increase the capital of the JV Company on a 70% and 30% proportion under the Shareholders Agreement. The two parties also reached consensus on the operations, management and business development of the JV Company.

FORMATION OF A JOINT VENTURE

(i) Capital Increase Agreement

The principal terms of the Capital Increase Agreement are set out as follows:

Date:

16 September 2019

Parties:

- (i) Lifetech Shenzhen
- (ii) Shenzhen Xinyuan

Ownership of the JV Company

As at the date of this announcement, the JV Company remains wholly-owned by Lifetech Shenzhen, and has not commenced any business nor generated any profits or incurred any liabilities. The JV Company will become a non-wholly owned subsidiary of the Company upon completion of the joint capital increase by Lifetech Shenzhen and Shenzhen Xinyuan pursuant to the Capital Increase Agreement. Given that the JV Company will continue to be a controlled subsidiary of the Company, its financial results and financial position will continue to be consolidated with the financial statements of the Group, and the Group does not expect to record any material gain or loss arising from the deemed disposal of the JV Company.

Registered capital

The JV Company has been incorporated as a wholly-owned subsidiary of the Company with an initial registered capital of RMB9.53 million contributed solely by Lifetech Shenzhen prior to the contemplated joint capital increase under the Capital Increase Agreement.

Initial contribution arrangement

Pursuant to the Capital Increase Agreement, Lifetech Shenzhen and Shenzhen Xinyuan will jointly increase the registered capital of the JV Company by RMB20.47 million from RMB9.53 million to RMB30 million. The increased capital of RMB20.47 million will be borne by Lifetech Shenzhen as to RMB11.47 million in cash and Shenzhen Xinyuan as to RMB9 million in cash.

Upon the Initial Capital Injection being made pursuant to the Capital Increase Agreement, the JV Company will be held as to 70% by Lifetech Shenzhen and 30% by Shenzhen Xinyuan in the proportion to the total capital contribution made by each party in the JV Company. This is expected to be achieved not later than 31 December 2019. The injected capital will be mainly used for the daily operations of the joint venture, and subject to subsequent needs in the development of operations, which is to be used for acquiring necessary assets to achieve the goals of the business of the JV Company.

(ii) Shareholders Agreement

The principal terms of the Shareholders Agreement are set out as follows:

Date:

16 September 2019

Parties:

- (i) Lifetech Shenzhen
- (ii) Shenzhen Xinyuan
- (iii) the JV Company

Scope of business of the JV Company

The principal business of the JV Company includes the research and development, manufacturing and sale of metallic bioabsorbable products for medical use and the provision of related technical services.

Management structure of the JV Company

The board of directors of the JV Company is the primary decision-making body and is responsible to the shareholders (i.e. Lifetech Shenzhen and Shenzhen Xinyuan).

Pursuant to the Shareholders Agreement, the board of directors of the JV Company shall consist of three members, of which Lifetech Shenzhen is entitled to nominate two directors and Shenzhen Xinyuan is entitled to nominate one director, each for a term of three years. More than half of the directors are required to form a quorum for meetings of the board of directors of the JV Company.

The JV Company shall have one general manager (who shall also be the legal representative of the JV Company) and one financial controller, both of whom are to be nominated by Lifetech Shenzhen and appointed by the board of directors of the JV Company.

The JV Company shall have one supervisor, to be appointed by mutual agreement between Lifetech Shenzhen and Shenzhen Xinyuan for a term of three years. The supervisor must not be a director or senior management of the JV Company.

Additional capital increase

Under the Shareholders Agreement, upon achieving certain milestones (such as upon receiving specified product approvals or receiving a specified number of positive clinical trial results), Lifetech Shenzhen and Shenzhen Xinyuan have agreed to make additional capital contributions to the JV Company in an aggregate of RMB87.8 million. The contributions in aggregate will be borne by Lifetech Shenzhen as to RMB61.46 million (which is expected to be from internal resources of the Group) and by Shenzhen Xinyuan as to RMB26.34 million.

In addition, the contracting parties have agreed that once the iron alloy bioabsorbable stent receives 400 cases of positive clinical trial results in 12 months or upon the receipt of advanced external financing from third parties, Shenzhen Xinyuan can opt to increase its capital commitment in the JV Company by up to RMB3.88 million.

Pursuant to the additional capital increase arrangement and capital commitment under the Capital Increase Agreement and the Shareholders Agreement, the aggregate current capital commitment in the JV Company by Lifetech Shenzhen and Shenzhen Xinyuan (inclusive of the registered capital injected at incorporation of the JV Company and the commitment under the Capital Increase Agreement but exclusive of the option by Shenzhen Xinyuan to increase its capital commitment by RMB3.88 million) is RMB82.46 million and RMB35.34 million, respectively.

The increased capital will be mainly used for the daily operation of the joint venture, and subject to subsequent needs in the development of operations, which is to be used for acquiring necessary assets to achieve the goals of the business of the JV Company.

INFORMATION ON THE GROUP AND SHENZHEN XINYUAN

The Group is principally engaged in the developing, manufacturing and marketing of advanced minimally invasive interventional medical devices for cardiovascular and peripheral vascular diseases and disorders.

Shenzhen Xinyuan is principally engaged in equity investment management business, as well as providing bio-technology services and bio-technology consultation services. It is ultimately held as to 36.67% by Dr. Zhang (a person who was a Director in the last 12 months) and 63.33% by member of the project team (being employees of the Group) who are otherwise third parties independent of the Company and connected persons of the Company.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The establishment of the JV Company will be conducive to accelerating research and development of bioabsorbable materials project, further broadening the product mix, encouraging the project team and attracting talents, thus helping the JV Company to obtain external financing as soon as possible.

The Joint Venture Formation will result in Shenzhen Xinyuan sharing some of the development costs, thereby sharing both the risks and financing thereof. The Group's cash flow position will benefit from it.

The Company appointed an independent third-party professional consulting agency to evaluate and issue a proposal on the Joint Venture Formation. The amount of the total capital contribution was arrived at after arm's length negotiation among the parties with reference to the initial capital and asset requirement for the business of the JV Company and the expected additional capital necessary to further develop the business upon achieving certain milestone events. It is expected that the capital contributions will be used to pay for the necessary assets, as well as financing the ongoing research and development so as to achieve the goals of the business of the JV Company.

The Directors (including the independent non-executive Directors) are of the view that the Capital Increase Agreement and Shareholders Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. As none of the Directors has any material interest in the Capital Increase Agreement or Shareholders Agreement, no Directors were required to abstain from voting on the relevant board resolutions passed.

LISTING RULES IMPLICATIONS

Pursuant to the Capital Increase Agreement, the equity interests of the Group in the JV Company will be diluted from 100% to 70%. The transactions contemplated under the Capital Increase Agreement will constitute a deemed disposal of 30% equity interest in the JV Company by the Group under Rule 14.29 of the Listing Rules.

As at the date of this announcement, (i) Dr. Zhang was a director of the Company in the last 12 months as he resigned in March 2019; and (ii) Dr. Zhang is ultimately interested as to 36.67% of Shenzhen Xinyuan. Therefore, Dr. Zhang and Shenzhen Xinyuan are connected persons of the Company within the meaning of Chapter 14A of the Listing Rules. The Joint Venture Formation and deemed disposal contemplated under the Capital Increase Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Joint Venture Formation (with the respective capital commitments under the Capital Increase Agreement and Shareholders Agreement aggregated) and the deemed disposal exceed 0.1% but are less than 5%, the Joint Venture Formation and the deemed disposal are connected transactions subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the following meanings, unless the context requires otherwise:

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| “Board” | means the board of Directors of the Company |
| “Capital Increase Agreement” | means the agreement entered into between Lifetech Shenzhen and Shenzhen Xinyuan dated 16 September 2019 in relation to the joint capital increase in the JV Company, details of which are set out in this announcement |
| “Company” | means LifeTech Scientific Corporation, a company incorporated in the Cayman Islands with limited liability, the shares of which were listed on the Main Board of the Stock Exchange after being transferred from Growth Enterprise Market of the Stock Exchange on 6 November 2013 |
| “connected person” | has the meaning ascribed to it under the Listing Rules |
| “Director(s)” | means the directors of the Company or any one of them |
| “Dr. Zhang” | means Dr. Zhang Deyuan (張德元), who resigned as a director of the Company on 28 March 2019 and, as at the date of this announcement, was a director of the Company in the last 12 months and a connected person of the Company |
| “Group” | means the Company and its subsidiaries |
| “Joint Venture Formation” | means the formation of a joint venture by way of the transactions contemplated under the Capital Increase Agreement |
| “JV Company” | means Yuanxin Technology (Shenzhen) Co., Ltd.* (元心科技(深圳)有限公司), a indirectly wholly owned subsidiary of the Company recently incorporated in Shenzhen, PRC, which will become a non-wholly owned subsidiary of the Company pursuant to the Capital Increase Agreement and Shareholders Agreement as set out in this announcement |

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|--------------------------|---|
| “Lifetech Shenzhen” | means Lifetech Scientific (Shenzhen) Co., Ltd.* (先健科技(深圳)有限公司), a company incorporated in Shenzhen, PRC and wholly-owned by the Company |
| “Listing Rules” | means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “PRC” | means the People’s Republic of China, for the purposes of this announcement, excluding Hong Kong, Taiwan and the Macau Special Administrative Region |
| “RMB” | means Renminbi, the legal currency of the PRC |
| “Shareholders” | means the shareholders of the Company |
| “Shareholders Agreement” | means the shareholders agreement entered into between Lifetech Shenzhen, Shenzhen Xinyuan and the JV Company dated 16 September 2019 in relation to the JV Company, details of which are set out in this announcement |
| “Shenzhen Xinyuan” | means Shenzhen Xinyuan Investment Enterprise LLP* (深圳市心元投資企業(有限合伙)), a limited liability partnership established in Shenzhen, PRC and ultimately owned as to 36.67% by Dr. Zhang (a person who was a Director in the last 12 months) and 63.33% by employees of the Group who are otherwise third parties independent of the Company and connected persons of the Company |
| “%” | means per cent. |

* *English names are translated for identification purpose only*

By order of the Board
LifeTech Scientific Corporation
XIE Yuehui
*Chairman, Chief Executive Officer
and Executive Director*

Hong Kong, 16 September 2019

As at the date of this announcement, the Board comprises Mr. XIE Yuehui and Mr. LIU Jianxiong being executive Directors of the Company; Mr. JIANG Feng and Mr. FU Feng being non-executive Directors of the Company; and Mr. LIANG Hsien Tse Joseph, Mr. WANG Wansong and Mr. ZHOU Luming being independent non-executive Directors of the Company.